

Message Text

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ACTION ARA-14

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TO SECSTATE WASHDC IMMEDIATE 6451
INFO AMEMBASSY BUENOS AIRES
AMEMBASSY BRASILIA
AMEMBASSY LIMA
AMEMBASSY LA PAZ

LIMITED OFFICIAL USE SECTION 1 OF 2 SANTIAGO 7502

FOR ARA/AND/CH ROBERT STEVEN

E.O. 11652: N/A
TAGS: EAGR, ECON, CI
SUBJECT: CHILE'S AGRARIAN REFORM - PRELIMINARY REVIEW

REF: STATE 209226

1. SUMMARY. CHILE'S AGRARIAN REFORM AFTER FIFTEEN YEARS, AND DES-
PITE SOME BASIC CHANGES IN CONCEPT AND PRACTICE, CONTINUES TO
CAUSE CONTROVERSY. THIS TELEGRAM OUTLINES SOME OF THESE CHANGES,
AND OFFERS A PRELIMINARY ASSESSMENT OF THE EFFORTS OF THE PRESENT
GOVERNMENT IN THIS AREA. BASICALLY THE GOC SEEKS TO CREATE
VIABLE ECONOMIC UNITS, RATHER THAN MAXIMIZING THE NUMBER OF PERSONS
BENEFITED BY DISTRIBUTION PROGRAM. BY YEAR-END 1977, IT IS EX-
PECTED THAT, SINCE 1974, 45,000 INDIVIDUAL FAMILY FARMS WILL HAVE
BEEN CREATED. THE LAND THAT HAS BEEN RETURNED TO FORMER OWNERS
INCLUDES THAT ORIGINALLY TAKEN ILLEGALLY, SUCH AS LAND NEEDED TO
MAKE UP THE BASIC MINIMUM WHICH THE ORIGINAL OWNER WAS PERMITTED
LEGALLY TO RETAIN, OR LAND SEIZED BEERE EXPROPRIATION FORMALITIES
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WERE LEGALLY COMPLETED. THIS GOC WILL NOT EXPROPRIATE ANY
MORE LAND. SO FAR, AT LEAST, LITTLE LAND HAS BEEN SOLD OFF BY
THOSE TO WHOM IT WAS DISTRIBUTED AND GOC HAS ATTEMPTED TO KEEP
EVEN THIS LAND WITHIN THE REFORM SECTOR. DEFECTS OF PRESENT
PROGRAM INCLUDE ARBITRARY EXCLUSION OF THOSE SAID TO BE INVOLVED
IN EARLIER SEIZURES, PLUS ABSENCE OF ADEQUATE CREDIT AND TECHNICAL
ASSISTANCE FOR NEW OWNERS. END SUMMARY.

2. HISTORY OF LAND REFORM. THE LAND REFORM IN CHILE ALTERED RADICALLY THE EXTREME CONCENTRATION OF OWNERSHIP WHICH EXISTED PRIOR TO THE 1960'S. IN 1955, FOR EXAMPLE, ONLY 7 PERCENT OF LAND OWNERS HELD 80 PERCENT OF THE AGRICULTURAL LAND. THE FREI AND ALLENDE LAND REFORM PROGRAMS RESULTED IN THE EXPROPRIATION OF 60 PERCENT OF THE COUNTRY'S PRIME IRRIGATED LAND, 42 PERCENT OF TILLABLE DRY LAND AND 49 PERCENT OF GRAZING AND FORESTRY LAND. CERTAIN POLICY ORIENTATIONS OF THE CURRENT GOVERNMENT ARE, OF COURSE, VERY DIFFERENT FROM PREVIOUS ONES. ECONOMIC EFFICIENCY FOR EXAMPLE, IS GIVEN PRIORITY OVER EMPLOYMENT. CONSISTENT WITH THE OBJECTIVES OF THE 1967 AGRARIAN REFORM LAW, WHICH REMAINS IN FORCE, THE MAINSPRING OF THE CURRENT GOVERNMENT'S REFORM POLICIES IS THE FREE MARKET ECONOMY, AND THE FOSTERING OF ECONOMICALLY EFFICIENT INDEPENDENT FARMERS HOLDING PERSONAL TITLE TO THEIR LAND.

3. HOW THE JUNTA HAS DISTRIBUTED EXPROPRIATED LAND. UNDER THE DISTRIBUTION PROGRAM OF THENPRESENT GOVERNMENT STARTED IN 1974, APPROXIMATELY 45,000 NEW INDIVIDUAL FAMILY FARMS WILL, BY THE END OF 1977, HAVE BEEN CREATED. THIS DISTRIBUTION WILL, PURELY IN TERMS OF PHYSICAL EXTEND OF ACREAGE, ACCOUNT FOR 35 PERCENT OF THE 9.96 MILLION HECTARES EXPROPRIATED. LAND, IN CHILE, HOWEVER VARIES WIDELY IN TERMS OF ACCESSIBILITY, PRODUCTIVE CAPACITY, CLIMATE, LAND QUALITY AND OTHER CRITERIA. IN ORDER TO FACILITATE EQUAL TREATMENT DURING THE EXPROPRIATION PERIOD, THE CONCEPT OF THE LIMITED OFFICIAL USE

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BASIC IRRIGATED HECTARE (BIH) EVOLVED. IN TERMS OF BIH, THE 45,000 NEW FARMS WILL ACCOUNT FOR AN ESTIMATED 55 PERCENT OF EXPROPRIATED PROPERTY. THE LAND BEING DISTRIBUTED IS THUS THE BETTER QUALITY LAND.

4. OF TOTAL LAND SURFACE EXPROPRIATED, 28 PERCENT WAS RETURNED TO ORIGINAL OWNERS. IN BIH TEMRS, THIS BECOMES 26 PERCENT. EXPROPRIATED LAND IS SO RETURNED IN CONSEQUENCE OF A FINDING, IN EACH CASE THAT IT HAS BEEN EXPROPRIATED ILLEGALLY, IN VIOLATION OF THE AGRARIAN REFORM LEGISLATION ON THE BOOKS AT THE TIME. THREE SUCH GROUNDS ARE:

A) FARMS BELOW THE 80 BIH MAXIMUM EXEMPTED FROM EXPROPRIATION BY THE 1967 LEGISLATION OR

B) CASES WHERE THE ORIGINAL OWNER HAD NOT BEEN GRANTED THE RESERVE GUARANTEED TO HIM BY LAW, OR

C) LAND SEIZED BEFORE EXPROPRIATION FORMALITIES WERE LEGALLY COMPLETED.

5. BALANCE NEITHER DISTRIBUTED NOR RETURNED. MOST OF THE

BALANCE OF THE EXPROPRIATED LAND, I.E. 37 PERCENT IN PHYSICAL TERMS, IS CLASSIFIED AS FOREST, AND DRY COASTAL MOUNTAINS, NOT TECHNICALLY SUITED TO DIVISION INTO SMALL, FAMILY OPERATED UNITS. ULTIMATE DISTRIBUTION OF THIS LAND HAS NOT BEEN DETERMINED. IT APPEARS, HOWEVER, THAT SOME OF THIS LAND WILL REMAIN IN THE PUBLIC DOMAIN FOR REFORESTATION, WATER SHED MANAGEMENT, ETC.

6. MAGALLANES. ONE MATTER WHICH HAS AROUSED CONTROVERSY IS THAT OF DISTRIBUTION OF SHEEP GRAZING LAND IN MAGALLANES PROVINCE IN CHILE'S FAR SOUTH. MUCH OF THE LAND WOUND UP IN HANDS OTHER THAN THOSE OF THE BENEFICIARIES FORESEEN UNDER THE 1967 ACT.

7. COOPERATIVES. ANOTHER CONTROVERSIAL AREA HAS BEEN THE LOT OF THE REFORM SECTOR FARMER ORGANIZATIONS ESTABLISHED UNDER EARLIER LIMITED OFFICIAL USE

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FOR ARA/AND/CH ROBERT STEVEN

ADMINISTRATIONS. UNDER FREI, THE GOVERNMENT ESTABLISHED "ASENTI-MIENTOS" AS A TRANSITIONAL MEASURE, OUT OF WHICH LAND TITLES ON AN INDIVIDUAL OR COOPERATIVE BASIS WOULD DEVOLVE. ALLENDE ESTABLISHED

COLLECTIVE FARMS. BOTH ASENTIMIENTOS AND COLLECTIVE FARMS TODAY ARE BEING DISSOLVED AS LEGAL ENTITIES. A COLLECTIVE APPROACH, HOWEVER, IS NOT PROHIBITED. THE NEW TITLE HOLDERS ARE ENCOURAGED BY THE GOC TO ORGANIZE THEMSELVES INTO COOPERATIVE TYPE SOCIETIES TO BETTER DEAL WITH MARKET, CREDIT AND TECHNICAL ASSISTANCE PROBLEMS. 552 SUCH SOCIETIES HAVE BEEN FORMED. REFORM SECTOR FARMERS, ONCE THEY RECEIVE TITLE TO THEIR LAND, HAVE THE OPTION OF FARMING INDIVIDUALLY OR COLLECTIVELY. SOME HAVE OPTED TO FARM COLLECTIVELY WHERE THERE ARE ECONOMIES OF SCALE SUCH AS WITH DAIRY AND WHEAT FARMING. MOST PREFER FARMING ON AN INDIVIDUAL BASIS.

8. RESALE. YET ANOTHER CONTROVERSIAL QUESTION IS HOW MANY TITLE HOLDERS HAVE SOLD OUT AND TO WHOM. A DECEMBER 1976 SAMPLING, 15 PERCENT OF ALL PARCELS DISTRIBUTED IN PRINCIPAL AGRICULTURAL LIMITED OFFICIAL USE

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AREAS, FOR ONE YEAR OR MORE, SHOWS ONLY 3.7 PERCENT SOLD. MOST OF THE BUYERS WERE NOT CAMPESINOS. THE GOC RECOGNIZED A POTENTIALLY GROWING SOCIAL PROBLEM AND IN NOVEMBER OF 1976 PROHIBITED THE SALES WITHOUT PRIOR APPROVAL OF CORA (GOC LAND REFORM AGENCY). THIS MOVE DOES NOT NECESSARILY STOP THE EFFECTIVE TRANSFER OF LAND THROUGH UNRECORDED MEANS. MORE RECENTLY, CORA HAS CHANGED ITS POLICY TO PERMIT THE NEW LANDOWNER TO SHARE-CROP OR RENT OUT PART OF THE PROPERTY. THIS MEASURE IS INTENDED TO GIVE THE NEW FARMER TIME TO GAIN SKILLS AND CAPITAL NEEDED TO OPERATE HIS ENTIRE FARM.

9. CAPITAL AND SKILLS. THE NEW REFORM SECTOR FARMERS WILL UNDOUBTEDLY FACE A DIFFICULT TIME IN THE INITIAL YEARS. PRODUCTION CREDIT IS HARD TO COME BY, AND EXPENSIVE, ESPECIALLY WHEN COMPARED TO THE EASY AVAILABILITY, NEGATIVE INTEREST RATES AND LAX COLLECTION POLICIES OF PRIOR ADMINISTRATIONS. PRESENTLY STRINGENT AGRICULTURAL CREDIT AND OTHER ASSISTANCE POLICIES REFLECT GOC'S OVERALL AND CONTINUING DETERMINATION TO FIGHT INFLATION BY AUSTERITY MEANS. BUT THE GOC HAS GIVEN TRAINING TO 3,400 TECHNICIANS AND 29,019 AGRICULTURAL LABORERS AND IS CURRENTLY PLANNING A MAJOR TECHNICAL AND ASSISTANCE EFFORT AIMED AT THE SPECIAL NEEDS OF THE REFORM SECTOR, SMALL FARMERS.

10. COMMENT: SIGNIFICANT, LASTING SOCIAL AGRICULTURAL CHANGE IS ALWAYS, EVERYWHERE, COMPLEX, DIFFICULT AND PAINFUL. IT IS THE TOUGHEST NUT.
NELSON

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